

Message Text

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72

ORIGIN NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 EB-07 PM-03 H-02 INR-07 L-03 NSC-05

PA-01 PRS-01 SP-02 SS-15 /057 R

DRAFTED BY NEA/INS:DKUX:EI

APPROVED BY NEA:ADUBS

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI IMMEDIATE

C O N F I D E N T I A L STATE 136720

E.O. 11652: N/A

TAGS: MASS, IN, US

SUBJECT: PEACE INDIGO

1. WE HAVE JUST SPOKEN WITH PRO AND WILLIAMS OF REL-REEVES WHO WERE DISAPPOINTED TO HEAR CONFIRMATION OF GOI TERMINATION OF CONTRACT AND INITIATION ACTION TO WITHDRAW BANK GUARANTEE. THEY CLAIMED THAT GOI DECISION CAME AS "TOTAL SURPRISE" SINCE THEY LEFT DELHI LAST WEEK UNAWARE THAT THE GOI'S RESPONSE TO PROPOSED NEW SCHEDULE OF DELIVERIES WOULD BE TERMINATION OF CONTRACT. THEY ASKED IF IT WOULD BE POSSIBLE FOR EMBASSY TO TRY AT LEVEL HIGHER THAN ANANDAKRISHNA TO STAY TERMINATION ACTION FOR FEW MORE DAYS IN ORDER TO ALLOW PRO TO RETURN TO INDIA NEXT WEEK.

2. WE AGREED TO CABLE THEIR REQUEST TO EMBASSY DELHI NOTING THAT ON BASIS OF YOUR MESSAGE WE COULD NOT BE OPTIMISTIC THAT FURTHER APPROACH WOULD PROVE EFFECTIVE. WE LEAVE TO YOUR DISCRETION WHETHER GOI SHOULD BE APPROACHED AGAIN ON BEHALF OF REL-REEVES. THEY ALSO CLAIM THAT GOI WOULD BE IN VIOLATION OF CONTRACT IF THEY WITHDRAW BANK GUARANTEE

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WITHOUT GIVING PROPER NOTICE TO REL-REEVES ON NON-PERFORMANCE

3. FYI: GONSALVES TOLD US LAST NIGHT THAT EMBASSY AUDITORS

HAVE GRAVE DOUBTS ABOUT FINANCIAL VIABILITY OF REL-REEVES
WHEN CONTRACT RENEGOTIATED TWO YEARS AGO. EMBASSY HAD IN
FACT RECOMMENDED AGAINST NEW CONTRACT BUT WAS OVERRULED
BY GOI. GONSALVES SAYS THAT THEIR FEARS APPEAR TO HAVE
BEEN CORRECT AND REL-REEVES IS NOW IN DEEP FINANCIAL
TROUBLE AND ON VERGE OF BANKRUPTCY. END FYI. KISSINGER

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Message Attributes

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Margaret P. Grafeld
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06 JUL 2006

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